

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Appl. No. : 09/714,619 Confirmation No.: 5426
Applicant : Harold P. Mintz
Filed : November 17, 2000
For : METHOD OF OPERATING A VENTURE BUSINESS
TC/Art Unit : 1771
Examiner : Lalita M. Hamilton
Docket No. : 12763
Customer No.: 25570

Commissioner for Patents
P.O. Box 1450
Alexandria, Virginia 22313-1450

DECLARATION UNDER 37 C.F.R. 1.132

Sir:

1. I, the undersigned, Harold P. Mintz, declare that:

2. I received a BBA in Accounting from Emory University, an MBA in Finance with High Honors from Boston University School of Business Administration, and a JD cum laude from Boston University School of Law. I am a CPA and an attorney licensed to practice in NY and NJ.

Early in my career, I was in the Privately Owned and Emerging Business Group at Ernst and Whinney (now Ernst and Young) where we assisted



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promising young businesses on a public trajectory with their accounting and audit matters. I also had the special privilege to watch my father found Broadview Associates (now a part of Jefferies & Company), a financial advisory firm focused on Information Technology. During the 1970s, 1980s, and 1990s, Broadview was one of the leading technology investment banking firms in the world. After completing my JD/MBA, I worked as an Associate at Broadview. From childhood through adulthood, I had the unique opportunity to intimately observe and analyze many of Broadview's business model strengths and weaknesses as it grew from a 2-person business to a world-recognized brand with revenue approaching \$400 million per year. In parallel, I became a student of the venture capital and buyout industries and had the unique opportunity to work with a number of these businesses as well as study their origins in the early 1970s and their successes and failures as they grew rapidly in size and stature.

In 1990, I founded The Platinum Group, a merger and acquisition advisory firm. The Platinum Group designed and implemented proactive corporate development programs to develop a flow of proprietary opportunities for buyout clients such as Bain Capital, Welsh Carson Anderson & Stowe, Kidd Kamm Partners, Florida Capital Partners, J.B. Poindexter, Capital Partners, and the Shansby Group.

In 1993, The Platinum Group executed a number of transactions for Safeguard Scientifics, TL Ventures, Radnor Venture Partners, Cambridge Technology Partners, Sky Alland Marketing, Coherent Communications, CompuCom Systems, and Tangram Enterprise Solutions. I also led Safeguard's acquisition of US Data Corp. When US Data was subsequently taken public by Safeguard, it broke new ground in shareholder participation in rights offerings. This encouraged me to study and evaluate this technique as well as begin to



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theorize how best to blend the best attributes of a public company with private equity funds. During the term of The Platinum Group's involvement, Safeguard saw its stock appreciate from \$19 to over \$280 a share split-adjusted. And, in 1995, Safeguard was recognized as a top NYSE performer. I was one of Safeguard's most successful dealmakers during this period.

From 1997 to 2000, The Platinum Group completed a variety of higher profile transactions including: BMC's acquisition of Software Partners/32, Auspex Systems' acquisition of Alphatronix, Bitstream's acquisition of Alaras, Legato's acquisition of Software Moguls, Microsoft's acquisition of technology and simultaneous investment in Venturcom, Comverse Technologies' acquisition of Amarex, Ramesys' acquisition of MCORP, Iexchange's acquisition of Tenuteq, Advent Software's acquisition of Techfi, and Club Essentials' acquisition of Chronologix/SpaSoft.

3. I am the inventor of the invention disclosed and claimed in the above-identified patent application.

4. I have been advised that the Examiner has taken the position that my claimed invention is disclosed by McRedmond, U.S. Patent Publication No. 2001/0034692, at the following locations, as identified by the Examiner:

A method of operating a venture capital investment business, comprising: establishing a business entity (investment vehicle p.2, 21) the said business entity establishing an investment fund for venture capital (VC backed investments p.2, 21 and 24); establishing a fund managing entity of the investment fund, the fund managing entity attending to administrative matters relating to the said investment fund and making investment decisions for the fund (founders and officers p.2, 21); the said investment fund having capital contributions provided by investors in the fund to said fund,



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the fund managing entity also providing capital contributions to the said fund, the fund utilizing the contributions to invest in portfolio entities (investors, officers, and founders can contribute to the fund p.2, 21-23); the said investors receiving a general participation interest in the said fund, and the fund managing entity receiving a carried interest in the fund (p.2, 21); providing the said investors that have provided at least a threshold capital contribution to the said fund with stock rights in the said business entity to enable such investors to become shareholders in the said business entity (shareholders in whatever is invested into the fund, including IPOs p.2, 22-23 and 28-29); the said business entity securing a portion of IPO shares that become available in the portfolio entities (major sources of securities to be sold may be derived from IPOs p.2, 28-29); and the said business entity enabling shareholders thereof to purchase IPO shares among the said portion of IPO shares secured by the said business entity that become available in the said portfolio entities (p.2, 28-29).

The Examiner is interpreting McRedmond [as] reading onto the invention substantially as claimed. [Emphasis added.]

4. I have reviewed McRedmond, with particular focus on the passages relied upon by the Examiner and offer my analysis as an expert in this area.

a) "vehicle" (the Examiner relies on p.2, 21). This refers not to an umbrella and back office of an integrated venture capital business but to a "system and method for creating a secondary market...over a network that is preferably...the Internet."

b) "VC backed investments" (the Examiner relies on p.2, 21 and 24). As used by McRedmond, this refers to a way to first qualify a security "as being of appropriate quality; McRedmond's supposition is that if a venture capitalist had invested in the business it must demonstrate that the investment has redeeming qualities. In contrast, my invention envisions the business entity



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establishing (i.e., forming and managing) multiple venture capital funds; this is not anywhere found within McRedmond).

c) "founders and officers" (the Examiner relies on p.2, 21.) As used by McRedmond, this refers to the founders and officers of private companies whose net worth is tied up in illiquid securities who can presumably "liquidate a non-material portion of equity...providing liquidity." This has nothing to do with the business entity structuring a fund managing entity to deal with the day-to-day management decisions of the fund.

d) "investors, officers, and founders can contribute to the fund" (the Examiner relies on p.2, 21-23). Nowhere does McRedmond even contemplate investors, officers, and founders contributing to a fund. Instead, as discussed above, McRedmond seeks a method to allow these individuals to liquidate their holdings and within these sections again theorizes about how to make sure the illiquid securities being sold are not of absolutely terrible companies ("prescreened", "other verification and vetting procedures", etc.).

e) "the said investors receiving a general participation interest in the said fund, and the fund managing entity receiving a carried interest in the fund" (the Examiner relies on p.2, 21). My review of McRedmond reveals that McRedmond doesn't remotely discuss fund management, let alone a carried interest for a fund managing entity.

f) "shareholders in whatever is invested into the fund, including IPOs" (the Examiner relies on p.2, 22-23 and 28-29). My review of McRedmond reveals that not only does this requirement not appear in McRedmond; but also what is set out is not remotely similar. What my invention fosters is the



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integration of the entire system by aligning disparate interests (e.g., those of the business entity and its shareholders, the funds the business entity manages and supports, and the portfolio companies the funds invest in), and it uses stock rights in the business entity itself as a common reward and currency so that participants at the fund level may become shareholders of the business entity as well.

g) "major sources of securities to be sold may be derived from IPOs" (the Examiner relies on p.2, 28-29). McRedmond does not contemplate a business entity as the creator of the fund manager of the fund contractually securing the right for its shareholders to one day participate in an IPO of a fund portfolio company; in fact, McRedmond doesn't deal with IPOs (initial public offerings) at all. McRedmond deals with "a system and method for trading private equity in a secondary market over (the Internet)" and suggests only that "major sources of securities to be sold" through the McRedmond invention may be from aborted IPOs (i.e., "IPOs which were projected to be accomplished but which were pulled for various reasons").

h) "the said business entity enabling shareholders thereof to purchase IPO shares among the said portion of IPO shares secured by the said business entity that become available in the said portfolio entities" (the Examiner relies on p.2, 28-29). These sections in McRedmond state that when "the IPO does not take place", as these companies have "represent(ed) a desire...to obtain investment capital," they likely "represent an opportunity" in terms of them wanting to try the McRedmond invention to secure capital. I respectfully submit that this has nothing to do with shareholders of the business entity being able to secure a portion of a fund's portfolio company's IPO shares in proportion to their ownership interest in the business entity.



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5. Further, I have found that, generally speaking, McRedmond is really an historic relic, as it is contemplated and designed to capitalize on an economic period now considered irrational exuberance. McRedmond observed huge sums of money "pour(ing) into private companies in the U.S." and noted "there is still no marketplace to buy and sell these (traditionally illiquid) securities." Said differently, at the time of McRedmond's filing, the economy was so frothy, McRedmond envisioned a secondary market system accessible by only accredited (high net worth and institutional) investors ("qualified buyers") "that would provide targeted marketing of securities to accredited investors that match the interests of the investor with the type of security available for sale." It is my opinion that McRedmond saw a potential gold mine in private dot-com businesses being sold privately by high net worth investors without being required to conform to the statutory requirements and strictures of the 1933 and 1934 Acts. McRedmond's stated goal was "establishing a secondary market for the buying and selling of private equities, both of individual companies and of limited partnership interests." Moreover, the McRedmond system would "allow, in an automated way, a review of business plans and ancillary documents in an efficient and effective manner..."

6. In conclusion, it is my finding that McRedmond simply does not relate to an integrated method of operating a venture capital investment business; but, instead, proposes a method for creating a secondary market in which private equities are auctioned over the Internet to qualified investors. As proposed by McRedmond, a typical buyer-driven transaction, a qualified buyer puts out a bid for private assets in a particular area. Sellers who subscribe to the system receive notice of the bid and can then respond. As proposed, in a typical seller-driven transaction, a seller puts out a notice on the system of equities for



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sale. Buyers who subscribe to the system receive notice and can respond. Either the buyer or the seller may be charged by the system, depending on the transaction. McRedmond proposed that the typical sources for the private equities will be interests in limited partnerships and pre-IPO or pulled-IPO securities (i.e., aborted IPO attempts).

All of the statements made herein of our own knowledge are true and all statements made on information and belief are believed to be true; these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issuing therefrom.

Date

4/17/08

Harold P. Mintz

Handwritten signature